

**Claims:**

Please cancel all of the claims of record and substitute new claims 29 through 43 as follows:

16 - 28 (cancelled)

29. (new) A method for constructing a contract, comprising the steps of:
  - a. specifying an option by describing the underlying asset, the strike price, the term, and any exercise conditions;
  - b. specifying a methodology that uses an option pricing model that will be used to value said option; and
  - c. incorporating said option and said methodology in said contract.
30. (new) The method of claim 29 where said underlying asset is a financial asset.
31. (new) The method of claim 29 where said underlying asset is a commodity.
32. (new) The method of claim 29 where said underlying asset is real property.
33. (new) The method of claim 29 where said underlying asset is some other type of personal property.
34. (new) A method for constructing a compensation contract, comprising the steps of:
  - a. specifying an option by describing the underlying asset, the strike price, the term, and any exercise conditions;
  - b. specifying a methodology that uses an option pricing model that will be used to value said option; and
  - c. incorporating said option and said methodology in said contract.
35. (new) The method of claim 34 where said underlying asset is a financial asset.

36. (new) The method of claim 34 where said underlying asset is a commodity.
37. (new) The method of claim 34 where said underlying asset is real property.
38. (new) The method of claim 34 where said underlying asset is some other type of personal property.
39. (new) A method for constructing a contract that will be listed on an exchange, comprising the steps:
  - a. specifying an option by describing the underlying asset, the strike price, the term, and any exercise conditions;
  - b. specifying a methodology that uses an option pricing model that will be used to value said option; and
  - c. incorporating said option and said methodology in said contract.
40. (new) The method of claim 39 where said underlying asset is a financial asset.
41. (new) The method of claim 39 where said underlying asset is a commodity.
42. (new) The method of claim 39 where said underlying asset is real property.
43. (new) The method of claim 39 where said underlying asset is some other type of personal property.

### Substance of 07/18/2007 Phone Interview

In preparation for the Phone Interview that was held on 07/18/2007, the Applicant sent the Examiner a fax outlining the discussion topics that he intended to discuss during the interview. The Interview, which included both the Examiner and the Examiner's supervisor, James Kramer, followed the course of the discussion topics as described in the fax, a copy of which follows.

Applicant first posed some of his basic questions to the Examiners. The Examiners indicated that:

1. The Application Drawing was accepted;
2. It was not necessary to file a clean version of the specification but that if the Applicant chose to do this, he needed to make certain it was in compliance with MPEP Section 608.01Q; and
3. The Applicant had three months from the mail date of the Office Action to respond in writing.

Next the Applicant and Examiners discussed the invention's novelty and usefulness and why the prior art cited in the Office Action was nonanalogous, as more fully described in the Applicant's fax. After a review of this information and a discussion of the Application's Drawing, it was the Applicant's impression that the Examiners agreed that the claimed invention was patentable subject matter, assuming that no prior art references could be found.

Nevertheless, the Supervisor Patent Examiner indicated that he did not feel that the Applicant's claims adequately described the invention. At this point, the discussion focused on the language of the claims. A third Examiner was consulted and the Examiners concluded that the invention was technically patentable.

The Applicant explained the reasons why he felt that three independent claims and multiple dependent claims were necessary to cover the use of the invention. The Supervisory Patent

Examiner agreed with the Applicant's intent but suggested that the Applicant should rewrite his claims by:

- a. Beginning the independent claims with a preamble that describes the nature of the invention and the field of use;
- b. Reciting each element necessary for the invention and their interconnections in lettered subparagraphs;
- c. Ensuring that there are proper antecedents for each element cited; and
- d. Dispensing with the Whereby Clause.

Applicant agreed to make these changes and asked if the Examiner would perform a quick review of them to ensure that they were technically correct prior to his submission of a formal Amendment. The Examiners agreed to do this, and the Applicant sent a fax with his rewritten claims later in the evening of 07/18/2007. A copy of this fax follows.

#### **Substance of August 9, 2007 Phone Interview**

The Applicant, Examiner Norman and her supervisor, Kambiz Abdi, had a subsequent phone interview on August 9, 2007. Since the Supervisory Examiner was not familiar with this application, there was a brief discussion of the invention's novelty.

Having a better understanding of the invention, the Supervisory Examiner expressed concern that the Applicant may have introduced new subject matter in his preliminary amendment. The terminology that concerned the Supervisory Examiner was the Applicant's change in Step 3 of Figure 1 from "Buyer and seller agree on the methodology for calculating the option's value at contract inception...." to "Buyer and seller agree on a methodology that uses an option pricing model to determine the value of the option."

The Applicant expressed his view that no new subject matter had been added and that the amendments to the specification were made only to clean up the wording used to explain the invention and to provide proper antecedents for his claims. Amendments to the claims were made to make them clear, definite, and technically correct.

The Detailed Description on pages 11 and 12 of Applicant's original Application makes it clear that the invention requires that the contract be constructed by employing a methodology that will be used to value an option and that this methodology includes both an option pricing model such as "Black and Scholes, Whaley, Binomial Lattice,..." and "specific values or formula that will be used to determine the remaining inputs for the model they have agreed upon." Specifying an option pricing model would not be enough to determine the value of the option if there was no agreement on the input values that would be used in the model and both components are explicitly stated in the original Specification. Although the previous terminology was correct and one skilled in the art would understand how to use the invention, the current terminology is more precise and more understandable to the average reader.

The Applicant believes that he has introduced no new subject matter in either his preliminary amendment or in the present amendment and that each of the terms used would be obvious and unambiguous to "one skilled in the art." If the Examiners are still concerned that the Applicant has introduced new subject matter, the Applicant respectfully requests the opportunity to correct the claims, drawing, or specification to correct for this deficiency.

A discussion then ensued about the revised claims that the Applicant sent to Examiner Norman via fax on August 6, 2007 a copy of which follows. The Supervisory Examiner expressed the position that the revised claims looked much better than the previous version, but he was still concerned about the term "any other characteristic of said option" used in the independent claims. Applicant recited the first independent claim without the use of this term, and the Supervisory Examiner said that he was satisfied that it was technically correct and that the dependent claims were also technically correct.

The parties agreed that the Applicant would file his amended claims and specification which the Examiner would review.